

BRIEFING MEMO

Maine Medical Center

Expansion/Renovation of Emergency Department and CT Imaging Suite

At Bramhall Campus in Portland, Maine

TO: Brenda M. Harvey, Commissioner, DHHS

THROUGH: Catherine Cobb, Director, Division of Licensing and Regulatory Services

FROM: Phyllis Powell, Manager, Certificate of Need Unit
Steven R. Keaten, Healthcare Financial Analyst

SUBJECT: Proposal by Maine Medical Center to expand/renovate their emergency department and CT imaging suite at the Bramhall Campus in Portland, Maine at an estimated capital cost of \$25,024,000.

DATE: August 2, 2007

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA Section 326 et seq., as amended.

REGISTERED AFFECTED PARTIES: Central Maine Medical Center

BACKGROUND:

- Maine Medical Center (MMC) is a not-for-profit corporation and is a subsidiary of MaineHealth®, a not-for-profit corporation. MMC is licensed for 650 beds including 42 newborn beds. MMC is designated as a Trauma Center by the Maine State Emergency Medicine Services' Trauma Advisory Committee. MMC is seeking American College of Surgeons Committee on Trauma verification as a Level One Trauma Center.
- The project involves the expansion and renovation of the emergency department and CT imaging suite. The emergency department would increase from the current 17,150 to 44,200 gross square feet. The additional 27,050 gross square feet will be built in existing shell space located on the lower level of the Obstetrics and Newborn building that is adjacent to the existing ED. This project will increase MMC's Emergency Service capacity treatment beds from 34 to 54 and add a 8 bed Clinical Decision/Observation Unit for a total of 62 treatment beds. An additional CT scanner may be added in the future if needed.
- The *Division of Licensing and Regulatory Services, Medical Facilities Unit*, confirms that Maine Medical Center is a fully licensed acute care hospital licensed in the State of Maine and is MaineCare and Medicare certified. MMC was fully accredited by the Joint Commission on November 2, 2005

The CONU has determined that the applicant is fit, willing and able to manage this project and continue to provide services at the proper standard of care.

- The applicant has determined that the capital cost for this project is \$25,433,227 resulting in third year operating costs of \$4,781,000. MMC will fund this project entirely through equity reserves.
- Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the organization as a whole from successfully engaging in this project. The hospital has shown significant current earnings which are not expected to be significantly impacted by this project. The applicant has chosen not to borrow any funds to undertake this project which saves the project considerable interest expenses from being added to the healthcare system.

The CONU has determined that the applicant could financially support this project.

- Accepted evidence of overcrowding at hospitals includes ambulance diversions, patient boarding and long waits in emergency rooms. MMC has provided documentation that ambulance diversions have continued to rise from 6 in 2003 to 13 in 2005; 56% of ED boarder patients are held for more than 2 hours; and the average (mean) total time for MMC's patients in the ED is approaching 5 1/2 hours. This compares unfavorably to national ED measures according to the U. S. Centers for Disease Control, National Center for Health Statistics, and the National Hospital Ambulatory Medical Care Survey.

The CONU has determined that MMC has demonstrated a need for the proposed project.

- *Maine Bureau of Insurance* estimated that the maximum impact of this CON project on private health insurance premiums in MMC's service area for the project's third year of operation will be approximately \$0.276 per \$100 (0.276%) of premium. They further estimate that this project, in its third year of operation, will have a maximum impact on statewide private health insurance premiums of approximately \$0.104 per \$100 (0.104%) of premium. This is a minimum financial impact to third party payors.
- Total approved 3rd year operating costs are projected to be \$4,781,000 and of that amount MaineCare's 3rd year cost is \$812,770 (\$4,781,000 x 17.0%), which is both the Federal and State portions combined. Currently the impact to the Maine budget per year would be approximately \$284,470 (\$812,770 x 35% (State Portion)). Funds should be available to cover these additional costs.
- MMC is the designated trauma and tertiary care center for the Portland area so no other alternatives are available.

The CONU has determined that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.

- The CONU concurs with the assessment from the *Maine Center for Disease Control and Prevention*. The CONU has evaluated this proposal against the criteria set forth in the

2007 State Health Plan. Our conclusion notes that this project addresses several of the criteria:

- MMC has demonstrated that the project will protect public health and safety as it will allow patients to be seen in a more-timely manner for treatment, it will reduce or eliminate ambulance diversions, reduce elopements and should reduce boarding times. This project also incorporates an investment of \$253,000 in new initiatives for regional protocols to improve emergency department psychiatric care, stroke care and a five-year initiative on youth obesity. In addition, this project will incorporate best practices in building construction.
- MMC has demonstrated that this project will contribute to lower cost of care and increased efficiencies as this project will be fitted into vacant shell space in the lower level Women and Infants Building thereby not contributing to sprawl. The applicant will be able to treat patients in a more timely and efficient manner thereby lowering chances of patient illnesses becoming more complicated and more costly to treat. The applicant continues to strive to meet the Dirigo voluntary cost targets.
- MMC has demonstrated that this project will advance access to services as stated above this project involves an investment for new initiatives totaling \$253,000.
- MMC has demonstrated that this project includes a complementary preventive component as this project includes an investment of \$1,414,000 in telecom/information systems.
- MMC has demonstrated that this project exercises less than a 0.5% increase on regional insurance premiums as stated by the assessment from the Bureau of Insurance.

The CONU has determined that the project would be consistent with the State health Plan.

- *Maine Quality Forum* supports the finding that this project will not negatively impact the quality of emergency services provided by others.

The CONU has determined that this project would ensure high-quality outcomes and does not negatively affect the quality of care provided by existing service providers.

- This project will allow the applicant to adequately provide for the patients that present themselves at their emergency department in an appropriate manner and timely manner without excessive wait times that can lead to a delay in treatment.

The CONU has determined that this project would not result in inappropriate increases in service utilization.

- An amount of \$1,419,266 will be charged against the Capital Investment Fund from the hospital large review cycle for FYE 2007, FYE 2008 and FYE 2009 for a total of

\$4,257,798. The total approved capital cost for this project if approved is \$25,024,000 (\$23,752,000 plus contingency fee of \$1,272,000).

The Certificate of Need Unit has determined that this project could be funded within the Capital Investment Fund.

HIGHLIGHTS:

Letter of Intent dated September 8, 2006
Subject to CON review letter issued September 14, 2006
Technical Assistance Meeting held on October 17, 2006
Application filed and certified as complete on December 19, 2006
Application placed in review cycle on January 1, 2007
Applicant's public informational meeting held on January 22, 2007
A public hearing was not requested
Preliminary analysis released on June 20, 2007
Preliminary analysis published in newspapers on June 25, 2007
Record closed on July 10, 2007

Comments From Public:

One set of public comments were received following release of the Preliminary Analysis.

Submission on July 6, 2007 by Chuck Gill, Vice-President of Public Affairs, Central Maine Medical Center stated the following:

"There are repeated claims in this CON application that the applicant's "primary service area" consists of a ten (10) county area outside of the Portland HAS. This assertion is also included in Preliminary Staff Analysis (page 8, par. 4)."

"We suggest that the Final Staff Analysis should include a footnote stating that the determination of the scope of Maine Medical Center's "primary service area" is not necessary to this CON decision, and therefore, inclusion of these MMC claims in the report does not indicate that DHHS accepts or adopts them."

CONU Comment:

The CONU does not make a determination as to the scope of Maine Medical Center's primary service area for this project since this is a tertiary facility and provides services beyond the designated HSA.

CONU Conclusion:

For all the reasons set forth in the preliminary review, based solely on review of the record, we conclude that the review criteria have been satisfied as follows:

- The applicant is fit, willing and able to provide the proposed services at the proper standard of care.
- The economic feasibility of the proposed services has been demonstrated.
- A public need for the proposed services has been demonstrated.
- The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.
- The proposed project is consistent with the State Health Plan.
- The proposed project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.
- The proposed project does not result in inappropriate increases in service utilization.
- The proposed project can be funded within the Capital Investment Fund.

RECOMMENDATION: The Certificate of Need Unit recommends this proposal be **Approved with the following conditions:**

- 1) The applicant must notify the CONU when it plans to add a second CT Scanner in order to determine if a subsequent review or separate application may be required.
- 2) The applicant is required to report annually to the CONU the number of elopements, ambulance diversions and patient boardings that occur once this project is online for a period of three years.

Capital Costs

\$ 23,752,000

\$ 1,272,000

\$ 25,024,000

Capital Costs As Proposed and Approved
Contingency

Total Approved Capital Budget

Incremental3rd Year Costs

\$ 4,781,000

Approved As Proposed

Capital Investment Fund

\$ 1,419,266

\$ 1,419,266

\$ 1,419,266

\$ 4,257,798

Charged for FYE 2007

Charged for FYE 2008

Charged for FYE 2009

Total CIF Approved